

House File 242 - Introduced

HOUSE FILE 242

BY SALMON

A BILL FOR

1 An Act relating to agricultural lease agreements entered
2 into by eligible taxpayers and qualified beginning farmers
3 participating in the beginning farmer tax credit program,
4 by allowing an eligible taxpayer's unused tax credit to be
5 transferred to the qualified beginning farmer, and including
6 effective date provisions.
7 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 16.77, Code 2021, is amended by adding
2 the following new subsection:

3 NEW SUBSECTION. 3A. *"Eligible qualified beginning farmer"*
4 means a qualified beginning farmer participating in the
5 beginning farmer tax credit program who is transferred a tax
6 credit by an eligible taxpayer as provided in an agricultural
7 lease agreement entered into by the eligible taxpayer and
8 qualified beginning farmer.

9 Sec. 2. Section 16.79A, Code 2021, is amended by adding the
10 following new subsection:

11 NEW SUBSECTION. 3A. The agricultural lease agreement may
12 provide that each tax credit claimed by the eligible taxpayer
13 in excess of the taxpayer's tax liability for the tax year in
14 which it is claimed be transferred to the eligible qualified
15 beginning farmer who is also party to the agricultural lease
16 agreement as provided in section 16.82A.

17 Sec. 3. Section 16.82, subsections 7, 8, and 9, Code 2021,
18 are amended to read as follows:

19 7. a. A tax credit in excess of the eligible taxpayer's
20 tax liability for the tax year in which it is claimed is not
21 refundable but may be credited to the tax liability of the
22 eligible taxpayer for the following ten tax years or until
23 depleted, whichever is earlier. A tax credit shall not be
24 carried back to a tax year prior to the first tax year in which
25 the eligible taxpayer ~~redeems~~ may claim the tax credit.

26 b. In lieu of crediting a tax credit to the tax liability
27 of an eligible taxpayer in a following year as provided in
28 paragraph "a", the eligible taxpayer may transfer the tax
29 credit to the eligible qualified beginning farmer who is the
30 other party to the agricultural lease agreement. The tax
31 credit transferred to an eligible qualified beginning farmer
32 is refundable. The tax credit shall not be carried back to
33 a tax year prior to the first tax year in which the eligible
34 qualified beginning farmer first may claim the tax credit.

35 8. a. (1) To claim a tax credit under this section,

1 an eligible taxpayer shall include one or more tax credit
2 certificates issued by the authority with the eligible
3 taxpayer's tax return pursuant to rules adopted by the
4 department.

5 (2) To claim a tax credit transferred to an eligible
6 qualified beginning farmer under this section, the eligible
7 qualified beginning taxpayer must include a tax credit
8 certificate issued by the authority with the eligible qualified
9 beginning farmer's tax return.

10 b. (1) A tax credit that may be claimed by an eligible
11 taxpayer shall not be transferable transferred to any other
12 person other than anyone except the following:

13 (a) An eligible qualified beginning farmer if the transfer
14 of a refundable tax credit is provided in the agricultural
15 lease agreement entered into by an eligible taxpayer and
16 eligible qualified beginning farmer as provided in section
17 16.79A.

18 (b) An eligible taxpayer's estate or trust upon the eligible
19 taxpayer's death pursuant to rules adopted by the department.

20 (2) A tax credit that may be claimed by an eligible
21 qualified beginning farmer shall not be transferred to anyone
22 except the eligible qualified beginning farmer's estate or
23 trust upon the eligible qualified beginning farmer's death.

24 c. The department shall adopt rules required to administer
25 and enforce this subsection.

26 9. If an agreement is terminated by the eligible taxpayer,
27 all of the following shall apply:

28 a. Any tax credit properly claimed by the eligible taxpayer
29 prior to the date of termination or for the year during which
30 the termination occurred shall be allowed except as provided in
31 paragraph "b", but no additional tax credits may be issued or
32 claimed under the program for that agreement. If a tax credit
33 may be claimed by an eligible taxpayer, any unused tax credit
34 shall be transferred to an eligible qualified beginning farmer
35 in accordance with the terms of an agricultural lease agreement

1 entered into by the parties and approved by the authority.

2 The eligible taxpayer may apply for and be awarded another
3 beginning farmer tax credit under a new agreement for the same
4 agricultural assets as provided in [this section](#).

5 **b.** If the authority determines that the eligible taxpayer
6 is at fault for the termination, any beginning farmer tax
7 credit that is claimed by the eligible taxpayer for the year
8 during which the termination occurred shall be disallowed and
9 the amount shall be considered a tax payment due. If the tax
10 credit is disallowed, any tax credit that would otherwise be
11 transferred to an eligible qualified beginning farmer shall be
12 terminated.

13 **c.** If an eligible taxpayer does not notify the authority ~~of~~
14 ~~the termination~~ that an agricultural lease agreement has been
15 terminated within thirty days of the date of the termination
16 in the manner and form prescribed by the authority, the
17 eligible taxpayer shall be conclusively deemed at fault for the
18 termination.

19 Sec. 4. Section 16.82A, subsection 1, paragraph c, Code
20 2021, is amended by striking the paragraph.

21 Sec. 5. Section 16.82A, Code 2021, is amended by adding the
22 following new subsections:

23 NEW SUBSECTION. 1A. If an agricultural lease agreement
24 entered into by an eligible taxpayer and eligible qualified
25 beginning farmer so provides and is approved, the authority
26 shall make a tax credit award to the eligible qualified
27 beginning farmer each year. The tax credit award shall equal
28 the unused amount of the tax credit claimed by the eligible
29 taxpayer in the prior year.

30 NEW SUBSECTION. 1B. If, after a tax credit award is made,
31 the eligible taxpayer or eligible qualified beginning farmer no
32 longer meets the requirements of the agreement or the program,
33 the authority may revoke the tax credit awarded to the eligible
34 taxpayer or an eligible qualified beginning farmer and may
35 rescind any tax credit certificate that has been issued to

1 either party.

2 NEW SUBSECTION. 4. a. The authority shall issue a tax
3 credit certificate on an annual basis to an eligible qualified
4 beginning farmer for the amount transferred by an eligible
5 taxpayer if so required by an agricultural lease agreement
6 approved by the authority pursuant to section 16.82. The
7 authority may require that the eligible taxpayer submit a
8 copy of the eligible taxpayer's tax return for that year in
9 order to calculate the amount of the tax credit transferred
10 to the eligible qualified beginning farmer. The tax credit
11 certificate shall contain all information required by the
12 department.

13 b. The tax credit certificate, unless rescinded by the
14 authority, shall be accepted by the department as payment
15 of a refund or as payment for taxes pursuant to chapter
16 422, subchapters II and III. A tax credit certificate shall
17 be subject to any conditions or restrictions placed by the
18 authority upon the face of the tax credit certificate and
19 subject to the limitations of the program.

20 Sec. 6. EFFECTIVE DATE. This Act takes effect January 1,
21 2022.

22 EXPLANATION

23 The inclusion of this explanation does not constitute agreement with
24 the explanation's substance by the members of the general assembly.

25 GENERAL. This bill amends provisions in Code chapter
26 16, subchapter VIII, part 5, which establishes the beginning
27 farmer tax credit program (program). The program applies to
28 an eligible taxpayer (taxpayer) and qualified beginning farmer
29 (beginning farmer) who have entered into an agricultural lease
30 agreement (agreement). Under the bill, an agreement may allow
31 the taxpayer to transfer unused taxpayer's tax credits to
32 the beginning farmer for the number of years in which their
33 agreement is effective. The authority is required to issue
34 a tax credit certificate to the beginning farmer in order to
35 claim the tax credit which may be applied against the beginning

1 farmer's tax liability or may be paid to the beginning farmer
2 in the form of a refund.

3 CURRENT PROGRAM REQUIREMENTS. Under the program, an
4 agreement must be for at least two but not more than five
5 years, and may be renewed for at least two but not more than
6 five years. It must involve agricultural land, including
7 buildings, or equipment used as part of a farming operation.
8 Generally, in order to qualify as a beginning farmer, a person
9 must have a low or moderate net worth, be able to successfully
10 engage in farming, and promise to materially participate in
11 the farming operation (Code sections 16.58(6), 16.58(10),
12 and 16.79(2)). The authority must approve an application to
13 participate in the program (Code section 16.81(6)).

14 CURRENT TAX CREDIT. Once the authority approves an
15 application, it must calculate the total tax credit award due
16 to the taxpayer for all years under the approved agreement
17 (Code section 16.82A) and issue a tax credit certificate to
18 the taxpayer each year that a tax credit may be claimed (Code
19 section 16.81(4)). The total amount of the tax credit divided
20 over the duration of the agreement depends upon the type of
21 rent arrangement entered into by the parties which may be based
22 on a fixed amount or a share of the commodity produced on the
23 leasehold. For each applicable year, the taxpayer may claim
24 the tax credit up to the taxpayer's tax liability for that
25 year. The unused amount remaining may be applied to reduce
26 the taxpayer's liability for the following or subsequent years
27 up to a total of 10 years or until the remaining amount has
28 been used up, whichever occurs first. The tax credit cannot be
29 carried back to a prior year or refunded. In addition, the tax
30 credit cannot be transferred to another person other than to
31 the taxpayer's estate or trust upon the taxpayer's death (Code
32 section 16.82(8)(b)).

33 EFFECTIVE DATE. The bill takes effect January 1, 2022.